

**CITY OF LAKE FOREST PARK**  
**King County, Washington**  
**January 1, 1993 Through December 31, 1993**

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**Schedule Of Findings**

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1. The City Should Prepare Complete, Accurate, And Timely Financial Reports

The City of Lake Forest Park's 1993 annual financial reports were not completed and ready for audit until October 1994. In addition, the financial statements and Schedules of Federal and State Financial Assistance contained numerous reporting errors, which were substantially corrected by our examiners for the purposes of this audit report.

Further, the following supporting schedules were not completed or only partially completed at the time our field work began in October 1994:

Schedule 07 - Schedule of Warrant Activity  
Schedule 08 - Schedule of Real and Personal Property Taxes  
Schedule 17 - Annual Report on Public Works Projects  
Schedule 18 - Criminal Justice Expenditures  
Schedule 19 - Labor Relations Consultants

These supporting schedules are necessary to demonstrate the integrity of city records, to provide management with financial information, and facilitate the audit.

RCW 43.09.230 provides that every taxing district and political subdivision shall submit financial reports covering the full period of each fiscal year. This same statute requires that these financial reports contain accurate statements of all collections made, or receipts received, all expenditures for every purpose, and such other information as may be required by the State Auditor.

RCW 43.09.230 further requires that such reports be prepared, certified, and filed with the Division of Municipal Corporations within one hundred fifty days after the close of each fiscal year.

In addition to the late annual financial report, the city's annual Street Cost Report for 1993 contained inaccurate financial data, and could not be reconciled to city's accounting records used in preparing the annual financial reports. This report is required by RCW 35.21.260 to be submitted to the State Department of Transportation on or before March 31 of the following year and is required to contain accurate information. The city's inability to prepare complete, accurate, and timely financial reports has been chronic for the past several years. The city did not prepare any financial reports for 1988, 1989, and 1990. The city's annual financial report for 1991 was not submitted until January 1993, and the city's 1992 report was not submitted until January 1994. Both the 1992 and 1993 financial reports contained substantial errors and omissions, which were again corrected by our examiners. This condition was brought to the attention of city management, city council, and the public in each of our prior audit reports as an audit finding. To date, city management and the council have not implemented the corrective action necessary to ensure compliance with state law.

Without timely and accurate financial reporting, city officials have not fulfilled their statutory and fiduciary responsibilities. Additionally, poor recordkeeping and inaccurate, late financial reports significantly reduce audit efficiency causing delay in issuance of the audit report and increased audit costs.

We recommend city management and city council take the steps to ensure the complete, accurate, and timely preparation of the city's annual reports.

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**Schedule Of Federal Findings**

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1. The City Should Comply With The Requirements Of Its Federal Grant Agreements

During 1993 the city received three federal grants through three state agencies, including \$24,852 from the Small Business Administration (CFDA 59.009) through the State of Washington Department of Natural Resources (DNR). This grant constituted the majority of federal assistance the city received. Under the terms of the grant agreement, the city was required to inform the state agency providing the majority of federal assistance, in this case DNR, that it is the cognizant state agency for the city. The city did not comply with this grant requirement.

The city's grant agreement also stipulated that the city must notify the cognizant state agency of its audit cycle, and by August 31 of each year submit to the cognizant agency the type of audit to be performed and certain grant information. This also was not done.

The cause of this noncompliance appears to stem from a misinterpretation of the grant requirements by city staff, and the failure of the city to maintain records and systems which would allow for the timely collection and reporting of grant activity to the grantors. As discussed in nonfederal Finding 1, the city has had problems with the timeliness of its financial reporting since 1988, and this fact has been disclosed in our audit reports for the past five years.

Without such information on the city's grant activity, DNR would not be aware of its responsibility as the cognizant state agency to implement single audit requirements and coordinate audit follow-up.

We recommend the city take steps to ensure all conditions of its federal grants are complied with on all future grants.